GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:210
ANSWERED ON:13.03.2008
HIKE IN PRICES OF PETROL/ DIESEL
Owaisi Shri Asaduddin;Rawat Prof. Rasa Singh

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has raised the prices of petrol, diesel and other petroleum products, in order to offset the impact of rising crude prices in the international market;

(b) if, so the details thereof;

(c) the extent to which the hike in crude prices has been offset thereby;

(d) the extent to which the losses of the oil companies are likely to be compensated by such hike; and

(e) the measures taken / to be taken by the Government to avoid hike in the prices of petroleum products?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 210 by Shri Asaduddin Owaisi and Prof. Rasa Singh Rawat to be answered on 13th March, 2008 regarding hike in prices of petrol/diesel.

(a)to(d): The prices of petrol and diesel were increased on 15/02/08 by Rs. 2 per litre and Re. 1 per litre respectively, although the movement in international oil prices warranted a much higher increase. Despite steep increase in the international oil prices, the prices of domestic LPG and PDS Kerosene have not been increased since November'04 and March'02 respectively. Due to this, the Public Sector Oil Marketing Companies (OMCs) are incurring under-recoveries on domestic sale of sensitive petroleum products namely petrol, diesel, domestic LPG and PDS kerosene. The impact of the price increase on petrol and diesel effective 15/02/08 on the under-recoveries of the OMCs for 2007-08 would be around Rs. 810 crores.

(e): As passing on the entire impact of the steep increase in the oil prices to the consumers would have resulted in hardship to the common man and vulnerable sections of the society, the retail selling prices of these sensitive petroleum products have not been increased in tandem with the international oil prices. The Government has taken certain measures to ensure that the burden was shared by all the stakeholders, namely:

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Government  - Issue of Oil Bonds;
Oil companies - Sharing of the burden by Upstream Companies and OMCs; and
Consumers - Minimal Price Increase
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Accordingly, the Government has issued Oil Bonds and Upstream Oil Companies have contributed by offering discount on crude oil and petroleum products, to partially compensate the under-recoveries of OMCs as per the details given below:

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       Rs. in Crores
Year Oil Bonds issued by GovernmentContribution by Upstream Oil Companies


2005-06       11,50014,000

2006-07       24,12120,507


Apr-Dec`07 11,25715,873#

Total        46,87850,380
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For Apr-Sep'07
#Apr-Dec'07 (Provisional)

In addition to the above, to reduce the burden on the consumer, Central Taxes on sensitive petroleum products have been consciously rationalized. The Central Government levies no taxes − customs or excise − on PDS Kerosene and domestic LPG. The customs duty on petrol and diesel has been reduced from 10% to 7.5% effective 14.6.2006 and the ad-valorem component of excise duty on unbranded petrol and diesel has been abolished from 1.3.2008. Considering its widespread use for cooking purposes, LPG (domestic) has been placed under the 'declared goods' category, thereby limiting State Governments' levy of sales tax to 4%.
The Government is closely monitoring the international oil prices and will continue to protect the interests of consumers.